Alberta

Agricultural Development Corporation

ADC

1983-84

ANNUAL REPORT

Presentation to the Minister of Agriculture

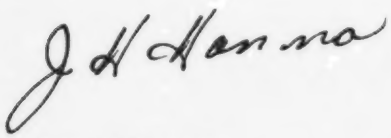
The Honourable LeRoy Fjordbotten
Minister of Agriculture

Sir:

On behalf of the Board of Directors, I am pleased to submit the eleventh Annual Report of the Alberta Agricultural Development Corporation covering the fiscal year ending March 31, 1984.

As required by Section 9 of the Agricultural Development Act (1972), the report contains a summary of the business affairs of the corporation, statements of revenue, expense and retained earnings, a review of the corporate financial position, and a balance sheet.

Yours truly,



J. Harold Hanna
Chairman and Managing Director

July 20, 1984

Board of Directors

Chairman and Managing Director
J. Harold Hanna - Camrose

Directors
Gilbert Balderston - Sexsmith
James Elliott - Fairview
Gerald Gunby - Debolt
Paul Madge - Milk River
Olivier Noel - St. Lina
Lorne Olson - Provost
Gloria Paquette - Pickardville
John Richter - Beiseker
Barbara Tiegs - Brooks

Corporate Officers and Senior Staff

(Camrose Head Office except where otherwise noted)

Chairman and Managing Director	J. Harold Hanna
General Counsel	Crawford Ferguson
Managing Solicitor	Nestor Nychka
Executive Assistant to Chairman and Secretary to Board	Brian J. Quinn
General Manager, Lending	Robert Thompson
Manager, Agribusiness Lending	Peter McNeil
Manager, Farm Lending	Randy W. Niven
Regional Managers:	
Lethbridge	Gordon Bruins
Airdrie	Peter Young
Red Deer	Ken Friesen
Vermilion	Peter Ignatiuk
Barrhead	Lyle Roberts
Fairview	Frank Blush
General Manager, Administration	E. George Suarez
Manager, Financial Services	D.J. Schurman
Manager, Human Resources	Sylvia Moysa
Manager, Loan Administration	Paul D. Stanley
Manager, Alberta Farm Development Loan Program	John Bohach

Contents

	Section 1
Presentation to the Minister of Agriculture	**1**
Board of Directors	**2**
Corporate Officers and Senior Staff	**2**
Chairman's Report	**4**
Corporate Operations Overview	**6**
Regional Map	**8**
Corporation Office Locations	**8**
Financial Assistance Available	**10**
A.D.C. Lending Activity: A Five Year Comparison	**12**
1983-84 Comparative Data	**13**
Auditor's Report and Financial Statements	**Section 2**

Chairman's Report

The credit needs of agriculture are unique. Alberta's agriculture is based on highly capitalized owner-occupied family farms that require refinancing every generation. This fact, along with fluctuations in prices, reduced land values and declining inventories that occurred during the year, has resulted in a continuing demand for the credit programs offered by the Alberta Agricultural Development Corporation. As a result, ADC continues to play a significant role in the capacity of a supplementary lender by providing long, intermediate and short term financial assistance to farms and financial assistance to agribusinesses.

As of March 31, 1984, ADC has accumulated authorizations of over 10,600 direct farm and agribusiness loans representing $1.0 billion. Over half of these loans were provided to beginning farmers. In addition, there have been over 90,500 guaranteed loan authorizations handled since ADC's inception in June 1972, representing just over $1.0 billion.

Agricultural credit demand fluctuates in relation to prevailing economic conditions and to the policy changes of other lenders. Overall farm lending activity for 1983-1984 was down almost one-fifth. Even so, 1,082 loans were made to beginning farmers for a total of $142 million. Overall, 7,322 farm and agribusiness loans and guarantees were made, totalling $262.5 million.

In the year ended March 31, 1984, a number of changes were made in the Corporation's farm lending programs to meet the current credit needs of agriculture. The refinements will result in the Corporation making sounder loans and borrowers having a better chance of developing and maintaining successful family farms. Also, under the revised programs, the assistance provided by ADC will be reserved for the ongoing benefit of those who continue to be actively involved in farming.

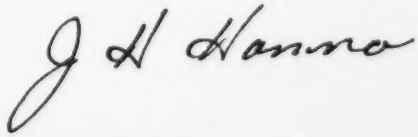
The bulk of ADC's loan portfolio is comprised of loans to family farming operations and most borrowers continue to make their payments on time. Arrears in the Corporation's direct accounts rose to $25.0 million from $16.5 million the previous year. However, only $14.5 million or 1.72% of the direct loans outstanding were in arrears over one year.

In looking to the future, it is recognized that the successful financing of agriculture and on-farm financial management are vital to the continued viability and development of Alberta agriculture. Today farmers must make conscious decisions as to where their money can best be used to achieve the greatest return. No longer can a farm manager use capital as a substitute for labour with the full assurance it will pay off. Any capital expenditure should be carefully analyzed from a financial viewpoint to ensure that the net annual receipts will justify the expense and will provide for a replacement of depreciating assets.

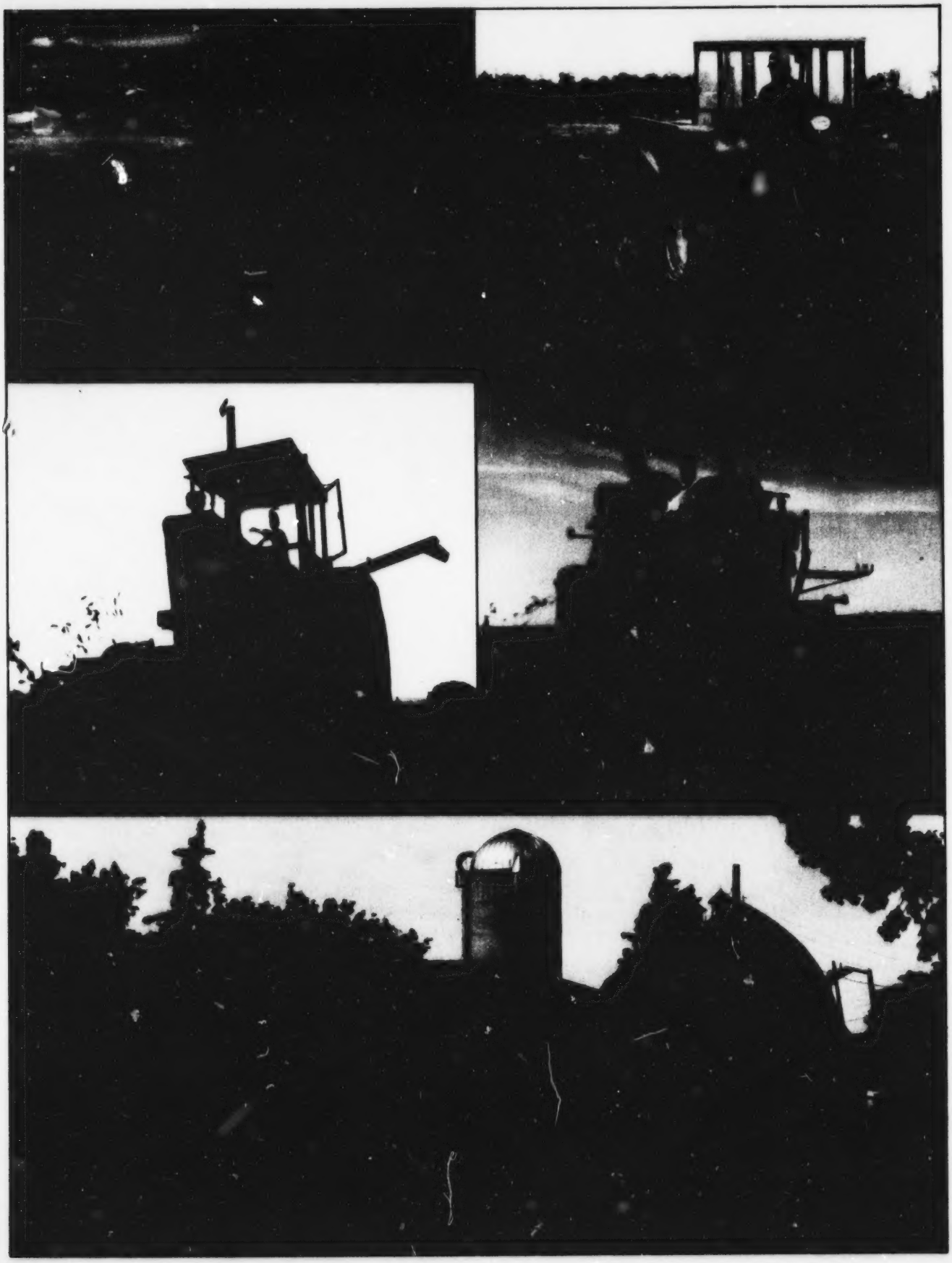
During the 1970s there was a rapid increase in land values. Many people expanded their land base, requiring additional building and equipment as well as an increased inventory of productive items. This expansion created an expanded need for long, intermediate and short term capital. The capital was used to make changes to the farm business. It also created challenges to develop and maintain cash flow to overcome money shortages. Money usually goes out of a business faster than it comes in, while livestock and crop inventories build up. As a business becomes larger, more cash transactions take place, making it essential to place more emphasis on planning, budgeting and cash flow forecasting, as well as maintaining a detailed record keeping system.

The Alberta Agricultural Development Corporation plays an important role in providing financial analysis and counselling assistance to those who possess the initiative, drive and enthusiasm to undertake a career in agriculture.

Farming and food processing are vital to the economic well-being of Alberta. The Corporation is committed to continuing in a manner that will assist in the growth and development of these basic industries.



J. Harold Hanna
Chairman and Managing Director



Highlights

During its eleventh year of operation the Alberta Agricultural Development Corporation continued in its role as a supplementary lender by providing credit assistance to the Alberta agricultural industry. Funding was provided to primary producers for the purchase of land, buildings, livestock, machinery and equipment, debt consolidation, and to provide specialized assistance to agribusiness enterprises.

With the exception of the Beginning Farmer Program and the Municipal Seed Cleaning Plant Program, ADC continued in its role as a lender of last resort. During the 1983-84 year the Rural Gas Co-op Financing Program was phased out.

Loans authorized during 1983-84 are summarized in the table below.

At March 31, 1984 the Corporation's total direct and guaranteed loan portfolio increased to more than $1 billion. The distribution of these active and outstanding loans is set out on page 7.

Towards the end of the year a number of policy and program changes were introduced to provide further financial assistance to farmers and to improve the chances of success for new entrants to the Beginning Farmer Program. The changes that apply to loans made after March 30, 1984 are:

- Beginning farmer applicants must have a minimum of 10% equity in the form of cash or net worth in the proposed operation.
- Beginning farmer applicants must have a minimum of two years related verifiable practical experience, or an equivalent, within recent years. Special consideration is extended to post-secondary agricultural students.

  Off-farm employment will not result in denial of the beginning farmer incentive. However, applicants will be required to demonstrate a commitment to full-time farming before the loan is approved.
- Good record keeping systems are essential to modern day farming. Compliance by new beginning farmer borrowers with ADC's requirement to provide year end reviews and financial projections will be a factor in determining the borrower's commitment to farming and if the borrower is eligible for ADC's preferred farm lending rate at the end of the first five year loan term.

  All new direct farm loans will be reviewed at the end of each five year term. If the borrower's commitment to the development of a full-time farming enterprise is continuing, the loan will be renewed for a second five year term at ADC's preferred farm lending rate in effect at the time of renewal; otherwise the loan will be renewed at the lesser of ADC's base interest rate at the time of renewal or ADC's average base interest rate for the previous 12 months.

  The principal benefits of ADC's programs are being directed to the first ten years of the loan term while the farm is being established. For this reason, commencing with the third five year term, all direct farm loans will be renewed at the lesser of ADC's base interest rate at the time of renewal or ADC's average base interest rate for the previous 12 months.

  The changes outlined above apply to new loans made since March 30, 1984. They do not apply to loans in existence on that date. However, all beginning farmer borrowers with loans in existence on March 29, 1984 are allowed to work off-farm for two of the first three years of the

Total Lending Activity (1983-84)

1,082	Beginning Farmer Loans	$142.1 million
85	Direct Farm Loans	7.5 million
2	Disaster Assistance Loans	.1 million
69	Specific Guarantee Farms Loans	4.2 million
6,061	Alberta Farm Development Loans	89.3 million
8	Direct Agribusiness Loans	13.1 million
15	Specific Guarantee Agribusiness Loans	6.2 million
7,322	Total Loans	$262.5 million

incentive period without affecting incentive eligibility.

Other changes of significant impact to ADC's program that occurred during the year include:

- For the beginning farmer loans approved after April 1, 1983 the payment of incentives was changed to coincide with loan payment dates and is calculated on the principal amount outstanding. Borrowers with beginning farmer loans already in existence at that time have been given the opportunity to have their incentives applied to their accounts on the loan payment dates.
- Mushroom operations principally engaged in the production of mushrooms are now considered farming operations and as such will be eligible for the various farm lending programs. Those operations principally involved in processing will remain eligible for agribusiness lending programs.
- Municipal seed cleaning plants are now eligible for guaranteed and direct agribusiness loans without first approaching other lenders, except when the plant operation is being upgraded.

Farm Lending

During 1983-84 loans to beginning farmers continued to dominate the direct farm lending activity, representing more than 90% of this lending volume. The staged option feature of this program, in effect since 1981, permits new farmers to take total borrowings in two stages over four years as the farm unit develops. During 1983-84 a total of 611 beginning farmers elected to take Stage I loans totalling more than $66 million. A total of 102 Stage II loans were authorized for nearly $7 million.

Guaranteed farm loans continued to be very active during the year with a total of 6,120 specific guaranteed and A.F.D.L. loans aggregating more than $93 million.

Incentive payments earned by beginning farmers during the year amounted to more than $35 million, and provided valuable assistance to the development and viability of these new farming enterprises.

The continuing economic uncertainty which affected many farmers during the year presented new challenges to the field lending staff of the Corporation. These "front line" personnel experienced a marked increase in the demand for counselling services in addition to processing new loan applications. A total of more than 38,000 field office interviews took place during the year, while over 4600 farm visits were undertaken by field staff.

Agribusiness Lending

Agribusiness lending activity was lower in 1983-84 due to overall economic conditions and lower interest rate loans being more accessible from conventional sources. ADC's emphasis was given to specific guaranteed loans and working with existing clients to provide financial counselling assistance.

ADC agribusiness lending will continue to play a valuable role in meeting requests for financial assistance which involve substantial risks in areas of business which conventional lending sources do not deal with due to the unique, marginal or developmental nature of the operation.

Active and Outstanding Loans March 31, 1984

Farm	Number	Amount
Direct Loans		
Beginning Farmer Loans		
Regular	2,976	$445.3 million
Stage I	1,481	159.0 million
Stage II	158	9.9 million
Total Beginning Farmer Loans	4,615	$614.2 million
Part 'A' Loans	499	$ 51.7 million
Part 'B' Loans	3,582	163.3 million
Disaster Assistance	2	.1 million
Total Direct Farm Loans	8,689	$829.3 million
Specific Guaranteed Farm Loans	252	$ 14.9 million
Total Direct and Specific Guaranteed Farm Loans	8,941	$ 844.2 million
Alberta Farm Development Loans (A.F.D.L.)	15,338	$ 160.7 million
Total Farm Loans	24,279	$1,004.9 million

Agribusiness	Number	Amount
Direct Loans	102	$ 47.0 million
Specific Guaranteed Loans	42	19.6 million
Total Agribusiness Loans	144	$ 66.6 million
Total Active and Outstanding Loans	24,423	$1,071.5 million

Alberta Agricultural Development Corporation

HEAD OFFICE
Alberta Agricultural Development Corporation
4910 - 52 Street
CAMROSE, Alberta
T4V 2V4

Telephone
Area 403 679-1311

REGIONAL / DISTRICT OFFICES

South Region

REGIONAL OFFICE	Agriculture Centre LETHBRIDGE, Alberta T1J 4C7	329-5102
DISTRICT OFFICES		
BROOKS	Room 109 Provincial Building BROOKS, Alberta T0J 0J0	362-5551
CARDSTON	Provincial Building Main Street CARDSTON, Alberta T0K 0K0	653-4461
CLARESHOLM	Provincial Building CLARESHOLM, Alberta T0L 0T0	625-3301
MEDICINE HAT	Room 104 Provincial Building 770 - 6th Street S.W. MEDICINE HAT, Alberta T1A 4J6	529-3616
TABER	Administration Building TABER, Alberta T0K 2G0	223-9614
VULCAN	County Building 102 Centre Street VULCAN, Alberta T0L 2B0	485-2236

South Central Region

REGIONAL OFFICE	Agriculture Regional Centre AIRDRIE, Alberta T0M 0B0	948-5101
DISTRICT OFFICES		
CALGARY	M.D. of Rocky View Building 911 - 32 Avenue, N.E. CALGARY, Alberta T2E 6X6	297-6281
DRUMHELLER	Provincial Building 201 Centre Street DRUMHELLER, Alberta T0J 0Y0	323-5740
HANNA	New Provincial Building 402 Centre Street HANNA, Alberta T0J 1P0	854-4451
OLDS	New Provincial Building OLDS, Alberta T0M 1P0	556-4220

North Central Region

REGIONAL OFFICE	3rd Floor Provincial Building 4920 - 51 Street RED DEER, Alberta T4N 6K8	340-5326
DISTRICT OFFICES		
CAMROSE	District Extension Office 4909C - 48 Street CAMROSE, Alberta T4V 1L7	679-1229
LACOMBE	Agriculture Building Bag Service 47 LACOMBE, Alberta T0C 1S0	782-3301
RED DEER	Main Floor Provincial Building 4920 - 51 Street RED DEER, Alberta T4N 6K8	340-5364
STETTLER	Provincial Building 4809 - 48 Street STETTLER, Alberta T0C 2L0	742-4481
WETASKIWIN	Provincial Building 5201 - 50 Avenue WETASKIWIN, Alberta T9A 0S7	352-1243

North East Region

REGIONAL OFFICE	Provincial Building 4701 - 52 Street VERMILION, Alberta T0B 4M0	853-2811
DISTRICT OFFICES		
BONNYVILLE	Provincial Building BONNYVILLE, Alberta T0A 0L0	826-3388
SMOKY LAKE	Provincial Building SMOKY LAKE, Alberta T0A 3C0	656-3613
ST. PAUL	Provincial Building ST. PAUL, Alberta T0A 3A0	645-6301
TWO HILLS	Provincial Building TWO HILLS, Alberta T0B 4K0	657-3311
VEGREVILLE	Professional Building 4809 - 50 Street VEGREVILLE, Alberta T0B 4L0	632-5400
VERMILION	Provincial Building 4701 - 52 Street VERMILION, Alberta T0B 4M0	853-2811
WAINWRIGHT	Provincial Building WAINWRIGHT, Alberta T0B 4P0	842-6126

North West Region

REGIONAL OFFICE	Provincial Building BARRHEAD, Alberta T0G 0E0	674-8258
DISTRICT OFFICES		
ATHABASCA	Room 203 Provincial Building ATHABASCA, Alberta T0G 0B0	675-2252
BARRHEAD	Provincial Building BARRHEAD, Alberta T0G 0E0	674-8213
EDMONTON	3rd Floor J.G. O'Donoghue Building 7000 - 113 Street EDMONTON, Alberta T6H 5T6	427-2450
EVANSBURG	Provincial Building EVANSBURG, Alberta T0E 0T0	727-3673
WESTLOCK	Provincial Building 10003 - 100 Street WESTLOCK, Alberta T0G 2L0	349-4465

Peace River Region

REGIONAL OFFICE	Provincial Building FAIRVIEW, Alberta T0H 1L0	835-4975
DISTRICT OFFICES		
GRANDE PRAIRIE	Provincial Building Room 3101 10320 - 99 Street GRANDE PRAIRIE, Alberta T8V 6J4	538-5280
PEACE RIVER	Provincial Building Bag 900, Box 19 PEACE RIVER, Alberta T0H 2X0	624-6170
FALHER	M.D. Building Main Street FALHER, Alberta T0H 1M0	837-2211
SPIRIT RIVER	Provincial Building SPIRIT RIVER, Alberta T0H 3G0	864-3597
FORT VERMILION	District Extension Office Box 40 FT. VERMILION, Alberta T0H 1N0	927-3712

Financial Assistance Available

ADC provides financing by way of direct loans and facilitates the acquisition of financing from other lenders by providing guarantees to those lenders.

ADC's lending programs service two basic client groups. The largest client group is farmers and the other is agribusiness.

Lending Programs

Direct Farm Loans:

- Maximum $200,000 or $600,000 for partnerships and corporations based on $200,000 per family.
- Five year renewable mortgage.

Beginning Farmer Program:

Purposes
- Land and permanent improvements (including housing).
- Livestock and equipment.
- Financial restructuring.

Eligibility
- Has not previously farmed a viable farm with an owned land base.
- Maximum pro-forma: Assets $350,000; Net Worth $175,000.

Terms
- Preferred interest rate, incentive of 6% for first five years.
- Eligible for preferred interest rate for second five year period. Base interest rate for remaining terms.
- Up to 30 year repayment.
- Staged option allows drawdown in two stages over four years.

Direct Loans Part "A" and "B":

Purpose
- Land and permanent improvements (including housing).
- Financial restructuring.

Terms - Part A
- Preferred interest rate reduced by 3% for five years.
- Eligible for preferred interest rate for second five year period.
- Base rate for remaining terms.
- Up to 30 year loan except 20 years for financial restructuring.

Terms - Part B
- Preferred interest rate for first five years.
- Eligible for preferred interest rate for second five year period.
- Base rate for remaining terms.
- Up to 30 year loan except 20 years for financial restructuring.

Eligibility - Part "A"
- Maximum pro-forma: Assets $450,000; Net Worth $225,000.
- Lender of last resort criteria apply.

Eligibility - Part "B"
- Pro-forma assets or net worth in excess of Part "A".
- Lender of last resort criteria apply.

Agribusiness Direct Loans:

Purpose
- Land and buildings.
- Equipment (except mobile equipment).
- Permanent improvements.

Eligibility
- Business producing or processing products or providing agricultural services.
- Lender of last resort criteria apply.

Terms
- Agribusiness preferred interest rate.
- No maximum loan amount.

Guaranteed Loans

ADC guarantees repayment of financing from other lenders.

Interest rate of a maximum of prime plus 1% for loans up to 10 years or prime plus 1.5% for loans between 10 and 15 years.

Specific Guarantees:

Purpose
- Any purpose associated with primary production or agribusinesses.

Eligibility
- Producers or processors of agricultural products and businesses providing agricultural services.
- Lender of last resort criteria apply.

Terms
- No maximum loan limit.

Aiberta Farm Development Loan (A.F.D.L.):

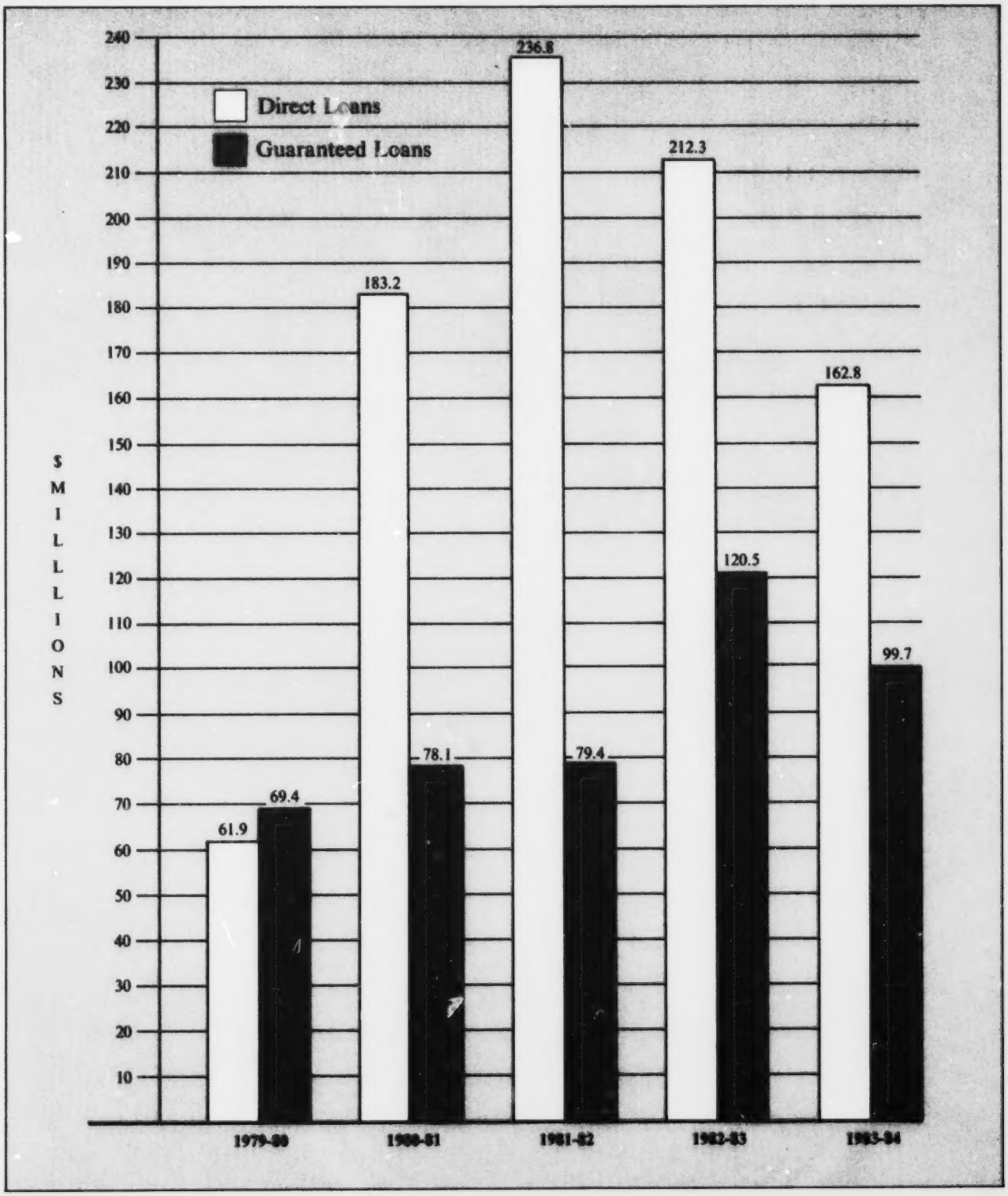
Purpose
- Any purpose associated with primary production including consolidation of trade accounts payable.
- Other debt consolidation excluded.

Eligibility
- Producers of agricultural products.

Terms
- Maximum $100,000 loan.

A.F.D.L. INCENTIVE PROGRAMS designed to provide additional assistance to various producer groups: RANGE AND SOIL IMPROVEMENT PROGRAM, SHEEP PRODUCERS' INCENTIVE PROGRAM and VEGETABLE AND POTATO STORAGE PROGRAM.

ADC Lending Activity: A 5 Year Comparison



Summary of Lending Activity

By Major Client Group and Type of Assistance
for the years ending March 31, 1984 and 1983

	1983-84		1982-83		Accumulated Authorizations June 1972 to March 1984		Active and Outstanding March 1984	
	No.	$ Millions	No.	$ Millions	No.	$ Millions	No.	$ Millions
Farm								
Direct Loans	1,169	$149.7	1,486	$204.3	10,489	$978.2	* 8,689	*$ 829.3
Specific Guaranteed Loans	69	4.2	58	11.5	1,760	70.7	252	14.9
Alberta Farm Development Loans	6,061	89.3	5,535	80.3	88,404	821.4	15,338	160.7
	7,299	$243.2	7,079	$296.1	100,653	$1,870.3	24,279	$1,004.9
Agribusiness								
Direct Loans	8	$ 13.1	30	$ 8.0	135	$ 44.4	102	$ 47.0
Specific Guaranteed Loans	15	6.2	21	28.7	408	147.4	42	19.6
	23	$19.3	51	$36.7	543	$191.8	144	$66.6
Totals	7,322	$262.5	7,130	$332.8	101,196	$2,062.1	24,423	$1,071.5

* These figures include 629 Farm Purchase Board Loans, with $3.1 million outstanding, approved prior to June 1972.

Direct Farm Loan Authorizations

Distribution Analysis

for the years ending March 31, 1984 and 1983

	Beginning Farmer Program				Other Direct Loans				Totals			
	1983-84		1982-83		1983-84		1982-83		1983-84		1982-83	
	No.	$ Millions	No.	$ Millions	No.	$ Millions	No.	$ Millions	No.	$ Millions	No.	$ Millions
By Region												
# 1 South	231	$ 34.8	235	$ 37.2	12	$1.1	67	$ 8.6	243	$ 35.9	302	$ 45.7
# 2 South Central	133	17.7	154	23.0	7	0.4	14	1.8	140	18.1	168	24.8
# 3 North Central	244	32.2	302	41.7	16	1.5	64	7.9	260	33.7	366	49.7
# 4 North East	183	21.7	239	32.0	25	2.4	58	6.5	208	24.1	297	38.6
# 5 North West	104	14.8	109	16.7	10	1.0	37	4.3	114	15.8	146	21.0
# 6 Peace River	187	20.9	159	19.5	17	1.2	48	5.1	204	22.1	207	24.5
	1,082	$142.1	1,198	$170.1	87	$7.6	288	$34.2	1,169	$149.7	1,486	$204.3
By Purpose *												
Land	918	$109.3	974	$147.3	28	$2.8	100	$13.2	946	$112.1	1074	$160.5
Equipment and Livestock	58	14.0	91	7.8	3	0.1	6	0.2	61	14.1	97	8.0
Buildings	35	6.4	39	4.7	3	0.3	26	2.5	38	6.7	65	7.2
Financial Restructuring	50	7.9	66	7.8	42	3.7	135	17.0	92	11.6	201	24.8
Housing	13	1.6	14	0.9	8	0.5	17	1.0	21	2.1	31	1.9
Other	8	2.9	14	1.6	3	0.2	4	0.3	11	3.1	18	1.9
	1,082	$142.1	1,198	$170.1	87	$7.6	288	$34.2	1,169	$149.7	1,486	$204.3

* Each loan is classified by its major purpose.

Alberta Farm Development Loan Authorizations

Distribution Analysis
for the years ended March 31, 1984 and 1983

	1983-84		1982-83	
	No.	$ Millions	No.	$ Millions
By Region				
#1 South	854	$ 20.2	960	$ 20.0
#2 South Central	459	7.7	409	6.3
#3 North Central	1,184	19.7	1,047	17.2
#4 North East	1,227	14.3	1,182	14.0
#5 North West	1,285	15.5	1,121	13.3
#6 Peace River	1,052	11.9	816	9.5
	6,061	$ 89.3	5,535	$ 80.3
By Purpose				
Land	84	$ 3.6	85	$ 3.4
Equipment & Vehicles	2,674	38.1	2,699	38.5
Buildings	265	3.7	263	3.7
Livestock	924	12.9	775	10.8
Operating Capital	1,197	21.7	883	15.1
Dairy Facilities Equip.	46	1.1	55	1.1
Clearing & Breaking	698	5.0	615	4.3
Housing	139	2.8	125	2.9
Other	34	0.4	35	0.5
	6,061	$ 89.3	5,535	$ 80.3

Specific Guaranteed Farm Loan Authorizations

Distribution Analysis
for the years ended March 31, 1984 and 1983

	1983-84		1982-83	
	No.	$ Millions	No.	$ Millions
By Region				
#1 South	2	$ 0.3	3	$ 0.3
#2 South Central	2	0.1	4	8.1
#3 North Central	12	1.3	5	0.3
#4 North East	15	0.7	9	0.7
#5 North West	28	1.5	30	1.8
#6 Peace River	10	0.3	7	0.3
	69	$4.2	58	$11.5
By Purpose				
Land	3	$ 0.3	2	$ 0.2
Equipment	5	0.2	4	0.2
Financial Restructuring	36	2.6	25	2.6
Buildings	4	0.2	1	—
Other	21	0.9	26	8.5
	69	$4.2	58	$11.5

Program Incentives Earned

Distribution Analysis (including accruals)
for the years ended March 31, 1984 and 1983

	1983-84		1982-83	
	No.	$000's	No.	$000's
By Region				
#1 South	891	$ 7,841.2	808	$ 5,256.3
#2 South Central	592	4,601.8	465	2,412.9
#3 North Central	1,389	9,049.2	1,164	5,806.7
#4 North East	926	5,188.5	767	2,687.1
#5 North West	1,098	4,425.0	1,192	3,981.4
#6 Peace River	823	4,945.8	752	3,618.2
	5,719	$36,051.5	5,148	$23,762.6
By Program				
Beginning Farmer	4,282	$35,177.5	3,468	$21,859.3
Dairy Development Incentive	231	294.7	408	529.8
Native Range Incentive	743	223.7	1,096	315.1
Range and Soil Improvement	333	162.8	—	—
Vegetable Storage	21	77.8	17	54.1
Sheep Incentive	75	62.8	93	57.0
Farm Booster	32	29.6	30	44.4
Grants to Estates of Deceased Borrowers	2	22.6	3	8.6
Alfalfa Inventory Support	—	—	12	366.6
Alfalfa Earned Incentives	—	—	10	340.0
Alfalfa Industry	—	—	11	187.7
	5,719	$36,051.5	5,148	$23,762.6

Agribusiness Loan Authorizations

Distribution Analysis
for the years ended March 31, 1984 and 1983

	1983-84				1982-83			
	Direct		Guaranteed		Direct		Guaranteed	
	No.	$ Millions	No.	$ Millions	No.	$ Millions	No.	$ Millions
Type of Business								
Alfalfa Processing	—	$ —	1	$0.1	8	$2.4	3	$2.6
Feed Mill	—	—	3	0.7	—	—	—	—
Meat Processor	—	—	5	0.6	3	1.2	3	0.4
Gas Co-op	7	1.1	—	—	8	1.7	—	—
Seed Cleaner	—	—	—	—	5	0.8	—	—
Rapeseed Crushing	1	12.0	1	3.5	—	—	2	23.0
Mushroom Farm	—	—	—	—	2	1.1	1	0.5
Vet Clinic	—	—	—	—	1	0.2	—	—
Auction Mart	—	—	2	0.2	—	—	—	—
Other	—	—	3	1.1	3	0.6	12	2.2
	8	$13.1	15	$6.2	30	$8.0	21	$28.7

(1) Refinancing of previous ADC loans included in the above loan authorization figures total $.1 million in 1983/84 and $10.9 million in 1982/83.

Auditor's Report and Financial Statements

ALBERTA AGRICULTURAL DEVELOPMENT CORPORATION

Auditor's Report and Financial Statements

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

AUDITOR'S REPORT

To the Board of Directors of the
Alberta Agricultural Development Corporation

I have examined the balance sheet of the Alberta Agricultural Development Corporation as at March 31, 1984 and the statements of revenue, expense and retained earnings, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

F.C.A.
Auditor General

Edmonton, Alberta
July 13, 1984

ALBERTA AGRICULTURAL DEVELOPMENT CORPORATION

Balance Sheet

as at March 31, 1984

Statement A

	1984	1983
Assets		
Current:		
Cash	$ 750	$ 750
Deposits in trust (Note 4)	29,094,334	7,451,920
Accounts receivable	199,194	109,281
Accrued interest receivable (Note 5)	46,326,229	35,001,965
Guarantee implementations receivable (Notes 6 and 11)	66,132	1,516,392
Principal due within one year on direct loans receivable (Note 7)	35,275,093	25,929,772
	110,961,732	70,010,080
Direct loans receivable (Notes 7 and 11)	804,441,088	689,994,277
Property held for sale, at the lower of cost or market (Note 11)	2,503,569	—
Other (Notes 8 and 11)	554,582	652,230
Fixed assets (Note 9)	525,309	315,879
Trust (Note 10)	35,920	86,914
	$919,022,200	$761,059,380
Liabilities		
Current:		
Accounts payable, Province of Alberta	$ 33,419,614	$ 19,259,604
Accounts payable, other	1,256,195	1,760,863
Guarantees payable	19,492,115	1,111,709
Accrued incentives payable	16,108,266	9,612,606
Principal due within one year on long-term debt (Note 13)	19,120,000	15,000,000
	89,396,190	46,744,782
Long-term debt (Note 13)	827,880,000	703,000,000
Equity:		
Reserve for contingent liabilities (Note 14)	2,105,000	6,629,000
Retained earnings (deficit), Statement B	(394,910)	4,598,684
	1,710,090	11,227,684
Trust (Note 10)	35,920	86,914
	$919,022,200	$761,059,380

The accompanying notes are part of these financial statements.

Statement of Revenue, Expense and Retained Earnings

for the year ended March 31, 1984

Statement B

	1984	1983
Revenue:		
Interest	$ 90,606,229	$ 71,405,439
Administrative fees	62,607	58,433
Miscellaneous	3,992	7,180
	90,672,828	71,471,052
Expense:		
Interest on long-term debt	107,346,397	86,562,619
Operating, Schedule 1	6,979,126	6,182,969
Farm loan incentives, Schedule 2	36,051,513	23,762,637
Provision for doubtful accounts and losses (Note 11)	15,313,386	10,572,123
	165,690,422	127,080,348
Operating loss	75,017,594	55,609,296
Contribution by the Province of Alberta (Note 3)	65,500,000	59,549,336
Net income (loss) for the year	(9,517,594)	3,940,040
Retained earnings at beginning of year	4,598,684	3,679,644
	(4,918,910)	7,619,684
Transfer from (to) reserve for contingent liabilities (Note 14)	4,524,000	(3,021,000)
Retained earnings (deficit) at end of year	$ (394,910)	$ 4,598,684

Statement of Changes in Financial Position

for the year ended March 31, 1984

Statement C

	1984	1983
Funds were provided from:		
Net income (loss) for the year, Statement B	$ (9,517,594)	$ 3,940,040
Doubtful accounts provision	15,313,386	10,572,123
Depreciation	75,212	35,712
Funds from operations	5,871,004	14,547,875
Proceeds from issue of long-term debt	144,000,000	181,000,000
Increase in guarantees payable	18,380,406	598,759
Increase in accounts payable, Province of Alberta	14,160,010	5,959,692
Repayments of direct loans receivable	13,008,907	12,792,748
Increase in accrued incentives payable	6,495,660	2,224,826
Recoveries of guarantee implementations receivable	453,372	571,063
Recoveries of other assets	97,648	—
	202,467,007	217,694,963
Funds were applied to:		
Disbursements of direct loans	151,048,277	212,683,100
Repayments of long-term debt	15,000,000	11,240,000
Increase in accrued interest receivable	11,324,264	11,145,015
Implementation of guarantees	2,572,829	2,691,226
Decrease (increase) in accounts payable, other	504,668	(474,940)
Increase in accounts receivable	89,913	46,121
Fixed asset purchases	284,642	266,341
Increase in other assets	—	83,270
	180,824,593	237,680,133
Increase (decrease) in cash and deposits in trust	$ 21,642,414	$ (19,985,170)

Schedule of Operating Expense

for the year ended
March 31, 1984

Schedule 1

	1984	1983
Salaries and wages	**$4,847,066**	$4,186,346
Employee benefits	**531,590**	466,093
Travel	**457,163**	580,774
Data processing	**161,924**	79,899
Directors' fees	**195,320**	200,723
Professional fees	**152,324**	108,889
Equipment rental and repair	**115,421**	76,990
Communications	**95,920**	90,467
Depreciation	**75,212**	35,712
Printing and binding	**71,188**	73,437
Stationery and office supplies	**70,931**	81,199
Legal	**65,369**	33,181
Postage, freight and express	**51,686**	51,670
Meetings and conferences	**48,992**	50,792
Equipment purchases	**18,383**	46,652
Advertising	**11,349**	20,145
Microfilming	**9,288**	—
	$6,979,126	$6,182,969

Schedule of Farm Loan Incentives

for the year ended
March 31, 1984

Schedule 2

	1984	1983
Beginning farmer program	**$35,177,475**	$21,859,344
Dairy development incentive program	**294,687**	529,830
Native range incentive program	**223,739**	315,066
Range and soil improvement program	**162,759**	—
Vegetable storage program	**77,749**	54,089
Sheep incentive program	**62,836**	57,003
Farm booster program	**29,611**	44,375
Grants to estates of deceased borrowers	**22,657**	8,594
Alfalfa inventory support program	**—**	366,609
Alfalfa earned incentives program	**—**	340,000
Alfalfa industry program	**—**	187,727
	$36,051,513	$23,762,637

Notes to the Financial Statements

March 31, 1984

NOTE 1
Authority

The Alberta Agricultural Development Corporation operates under the authority of the Agricultural Development Act, Chapter A-7, Revised Statutes of Alberta 1980.

NOTE 2
Summary of Significant Accounting Policies and Reporting Practices

(a) General

These financial statements have been prepared in accordance with generally accepted accounting principles.

(b) Fixed assets and depreciation

Fixed assets having a cost in excess of $500 are capitalized and shown in the balance sheet. Depreciation is recorded on a straight line basis over the following estimated useful lives of the assets:

Electronic data processing systems	5 years
Office equipment	10 years

(c) Allowance for doubtful accounts

The Corporation provides for losses on direct loans, guarantee implementations, property held for sale and other assets.

NOTE 3
Financial Structure

The Corporation's operations are funded through the sale of debentures to the Alberta Heritage Savings Trust Fund and a contribution from the General Revenue Fund of the Province of Alberta.

Office accommodation and field support staff are provided at no charge by the Province and accordingly are not reflected in these financial statements.

NOTE 4
Deposits in Trust

Deposits in trust consist of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta.

NOTE 5
Accrued Interest Receivable

Accrued interest receivable consists of:

	1984	1983
Interest on direct loans	**$43,888,960**	$32,455,210
Interest on deposits in trust	**479,622**	442,570
Interest on guarantee implementations	**1,957,647**	2,104,185
	$46,326,229	**$35,001,965**

NOTE 6
Guarantee Implementations Receivable

Loan guarantee payments made to financial institutions for uncollectable loans made by them under the Corporation's guarantee are generally of a demand nature and are therefore classified as current assets.

	1984	1983
Guarantee implementations receivable	**$9,321,132**	$10,261,392
Less: Allowance for doubtful accounts (Note 11)	**9,255,000**	8,745,000
	$ 66,132	**$ 1,516,392**

NOTE 7
Direct Loans Receivable

Direct loans are secured by agreements for sale and mortgages and are repayable in instalments due as follows, assuming that options to renew will be exercised when applicable:

	1984	1983
Arrears of principal and interest	$ 25,032,046	$ 16,365,734
Principal due in		
1 year	10,243,047	9,564,038
2 years	16,930,694	12,220,739
3 years	18,373,557	13,603,445
4 years	19,712,001	14,797,941
5 years	21,002,094	16,365,947
6-10 years	140,157,966	101,420,823
Over 10 years	611,311,776	545,993,379
	862,763,181	730,332,049
Less: Allowance for doubtful accounts (Note 11)	23,047,000	14,408,000
	839,716,181	715,924,049
Less: Current portion	35,275,093	25,929,772
	$804,441,088	$689,994,277

NOTE 8
Other Assets

Assets at cost, acquired by the Corporation as a result of security and related action are as follows:

	1984	1983
Unlisted preferred shares	$250,001	$250,001
Lambco plant, equipment and advances (Note 12)	554,581	652,229
	804,582	902,230
Less: Allowance for loss on realization (Note 11)	250,000	250,000
	$554,582	$652,230

NOTE 9
Fixed Assets and Depreciation

Fixed assets are comprised of the following:

	Cost	Accumulated Depreciation	1984 Net Book Value	1983 Net Book Value
Office equipment	$223,512	$111,135	$112,377	$105,667
Electronic data processing systems	486,553	73,621	412,932	210,212
	$710,065	$184,756	$525,309	$315,879

NOTE 10
Trust Assets and Liabilities

Prior to December 15, 1975 the Province of Alberta indemnified the Corporation for all guarantee implementations in return for subrogation of collection rights. The balances shown reflect the total outstanding guarantee payments from this period less an estimated uncollectable amount of $300,000 (1983 $300,000).

NOTE 11
Allowance for Doubtful Accounts and Losses

Asset balances are shown net of the following allowances:

	Direct Loans	Guarantee Implementations	Property Held For Sale	Other Assets	Total
Allowance at beginning of year	$14,408,000	$8,745,000	$	$250,000	$23,403,000
Less: Accounts written off	1,139,662	3,061,241		168,463	4,369,366
	13,268,338	5,683,759		81,537	19,033,634
Increase in allowance	9,778,662	3,571,241	1,795,000	168,463	15,313,366
Allowance at end of year	$23,047,000	$9,255,000	$1,795,000	$250,000	$34,347,000

NOTE 12
Lambco Plant and Equipment

Pursuant to an agreement between Lamb Processors Co-op Ltd., the Province of Alberta and the Corporation, the Corporation acquired the net assets and business of the Co-op. The Corporation has since provided operating advances to Lambco in accordance with the agreement. Grants from the Province reimburse the Corporation for Lambco operating losses before depreciation expense and also for capital expenditures of Lambco to the extent that capital expenditures exceed any operating profit before depreciation expense for the year. As at March 31, 1984 the Corporation's investment in Lambco was $554,581 (1983 $652,229). Operating revenue and expenses of Lambco are not consolidated in the financial statements of the Corporation.

Furthermore, the Province will indemnify the Corporation for any losses which might be incurred on disposal of Lambco. Any disposal proceeds in excess of the Corporation's investment in Lambco will be payable to the Province.

NOTE 13
Long-Term Debt

Debentures payable to the Province of Alberta are as follows:

Series	Maturity Date	Interest Rate	Principal Outstanding 1984	1983
A1	March 31, 2004	10.15%	$ 45,000,000	$ 46,000,000
A2	March 31, 2004	9.63	67,500,000	69,000,000
A3	March 31, 2004	10.15	11,700,000	11,960,000
A4	May 1, 2004	10.35	20,240,000	20,680,000
B1	September 1, 2004	10.15	18,400,000	18,800,000
B2	March 1, 2005	11.85	18,400,000	18,800,000
C1	June 1, 2005	11.98	14,100,000	14,400,000
C2	August 1, 2005	11.94	23,500,000	24,000,000
C3	October 1, 2005	13.47	23,500,000	24,000,000
C4	December 1, 2005	13.66	14,100,000	14,400,000
D1	February 1, 2006	13.63	14,100,000	14,400,000
D2	March 1, 2006	14.20	23,500,000	24,000,000
D3	March 31, 2006	14.14	28,200,000	28,800,000
D4	May 1, 2006	15.41	14,400,000	14,700,000
D5	June 1, 2006	16.11	19,200,000	19,600,000
D6	July 1, 2006	16.00	12,480,000	12,740,000
D7	August 1, 2006	17.33	21,120,000	21,560,000
D8	September 1, 2006	17.71	9,600,000	9,800,000
E1	September 23, 2006	17.90	16,320,000	16,660,000
E2	October 1, 2006	17.81	18,240,000	18,620,000
E3	November 1, 2006	17.93	17,280,000	17,640,000
E4	December 1, 2006	15.78	16,320,000	16,660,000
E5	January 4, 2007	16.50	11,520,000	11,760,000
E6	February 1, 2007	17.12	18,240,000	18,620,000
E7	March 1, 2007	17.00	28,800,000	29,400,000
E8	April 1, 2007	16.28	18,620,000	19,000,000
E9	June 30, 2007	17.28	19,600,000	20,000,000
E10	August 1, 2007	16.83	17,640,000	18,000,000
E11	September 1, 2007	15.29	10,780,000	11,000,000
F1	September 23, 2007	15.00	32,340,000	33,000,000
F2	November 1, 2007	13.43	14,700,000	15,000,000
F3	December 1, 2007	12.82	10,780,000	11,000,000
F4	January 4, 2008	12.41	20,580,000	21,000,000
F5	February 1, 2008	13.03	12,740,000	13,000,000
F6	March 1, 2008	12.64	26,460,000	20,000,000
F7	May 1, 2008	12.20	3,000,000	
F8	June 1, 2008	12.15	13,000,000	
F9	July 4, 2008	12.43	15,000,000	
F10	August 1, 2008	12.66	25,000,000	
F11	September 1, 2008	12.95	36,000,000	
F12	February 1, 2009	12.60	13,000,000	
F13	March 1, 2009	12.88	30,000,000	
			847,000,000	718,000,000
	Less: Current portion		19,120,000	15,000,000
			$827,880,000	$703,000,000

Principal repayments due in each of the next five years are as follows:

Year ended March 31, 1985	$19,120,000
1986	19,740,000
1987	21,240,000
1988	23,360,000
1989	25,240,000

NOTE 14
Contingent Liabilities and Commitments

The Corporation has the following contingent liabilities and commitments:

- Approximately $98,897,000 (1983 $80,930,000) with respect to loan guarantees against which a specific reserve for potential losses of $2,105,000 (1983 $6,629,000) has been accrued.
- Approximately $116,000,000 (1983 $93,500,000) with respect to farm loan incentives which will arise over the next five years if applicants comply with requirements of the programs.
- As at March 31, 1984 undisbursed loans of $44,821,600 (1983 $45,642,500) had been approved.

NOTE 15
Comparative Figures

The 1983 figures have been restated where necessary to conform to 1984 presentation.

NOTE 16
Approval of Financial Statements

These financial statements were approved by management on July 13, 1984.

POOR

QUALITY

ORIGINAL